

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

West Coast Long Beach Hotel
700 Queensway Drive
Long Beach, CA 90802
July 27-28, 2000

PANEL MEMBERS

John Duncan
Chairman

Aram Hodess
Vice Chairman

Clifford Cummings
Member

Patricia A. Noyes
Member

Tom Rankin
Member

Laurel Shockley
Member

Dan F. Trammell
Member

Pat Williams
Member

Executive Staff

Victoria Bradshaw
Executive Director

Ada Carrillo
Acting Assistant Director, Administration

Peter G. DeMauro
General Counsel

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July 27, 2000

I. CALL TO ORDER

The Executive Session was cancelled. There was no quorum. The members present convened as a Committee of the Whole, with power only to recommend to a fully constituted Panel.

II. ROLL CALL

Members Present

Pat Noyes
Dan Trammell
Pat Williams

Arriving after Roll Call

Tom Rankin, arrived at 1:40 p.m.

Members Absent

John Duncan, Chairman
Aram Hodess, Vice Chairman
Clifford Cummings
Laurel Shockley

Executive Staff Present

Victoria Bradshaw, Executive Director
Ada Carrillo, Acting Assistant Director
Peter DeMauro, General Counsel

III. STUDY SESSION FOR PANEL MEMBERS

As the Chair and Vice Chair were both absent, Victoria Bradshaw called the study session for the Panel members to order at 1:20 p.m. as a Committee of the Whole. Peter DeMauro along with various staff presented an overview of the ETP contracting processes with a discussion of ETP's enabling legislation, regulations, policies, and procedures. Charles Lundberg, manager of Marketing, reviewed the marketing process and required orientation participation. The purpose of orientation is to educate the public about the ETP program and the legislative requirements. A potential applicant then submits a Request

for Eligibility Determination (RED) prior to submitting an application. Mr. DeMauro described four types of potential eligible contractors: individual employers paying into the Employment Tax Fund, groups of employers (consortia), training agencies, and workforce investment boards. Mr. DeMauro reviewed the funding criteria for new hire training, out-of-state competition, the special employment training category, and the welfare to work program.

Diana Torres, Development Manager of ETP's San Diego field office, described the application and development process. She explained that once a RED is approved, a Development Analyst meets with the Contractor at the Contractor's site to discuss the company's training needs, required documentation, and procedures for submitting an application and developing an Agreement. Mr. DeMauro described the types of training ETP would fund based on statutory and regulatory requirements.

Creighton Chan, Development Manager of ETP's San Mateo field office, explained the procedure for employers providing ETP with retraining certifications. Employers must justify the need for retraining in one of three categories: transitioning to high performance workplace, diversifying products, or potential displacement of workers. The Development Analysts ascertain that all ETP contract requirements are met.

Ron Tagami, Development Manager of ETP's North Hollywood field office, described the ETP post-training and retention minimum wage requirements. Mr. Tagami stated the employer must indicate if their employees to be trained are represented by a union and if so whether they are covered by a collective bargaining agreement. If so, the employer must obtain and provide to the Panel a letter from a union representative supporting the training. Mr. Rankin suggested the Panel re-visit this issue and he noted the need to inquire further if there are other employees who are not being trained and who are covered by a collective bargaining agreement.

Mr. DeMauro described the roles of the Panel and of the Executive Director in approving Agreements and targeting funds. He briefly went over the statutory and regulatory requirements and addressed the Panel's legislative priorities.

Linda Page, ETP's Northern California Monitoring Manager, explained the monitoring process in effect after the contract is approved. The monitor during the initial "start up" meeting with the Contractor reviews in detail the contract, curriculum, and what is expected of the contractor or subcontractor. Follow-up visits by Monitors are made to check on training progress and record keeping.

Ada Carrillo, Acting Assistant Director, explained the process of payment of funds to contractors and subsequent audits. Mr. DeMauro described the appeal process when contractors question adverse staff decisions.

IV. POLICY DISCUSSION ON WAGE RELATED ISSUES

Ms. Carrillo introduced the presenters: Joel Hessing, Manager, Area Services Group, Employment Development Department, Labor Market Information Division (LMID);

Bill Freed, Labor Market Consultant, Los Angeles LMID; Brian McMahon, President, California Manufacturing and Technologies Association (CMTA), Service Corporation (California Manufacturing Association); Charleen Wagner, Project Director, Glendale Community College; SallyAnne Monti, Project Manager, Manex.

Ms. Carrillo highlighted the legislation on current wage requirements for ETP as amended in 1994. Training for high-wage, high-skill jobs was emphasized and the requirements for ETP minimum wages were simplified and tightened up by setting an absolute minimum. The Panel calculates its minimum wages on county and statewide hourly average wage figures provided by LMID statistics.

Mr. Hessing, assisted by Mr. Freed, presented the LMID occupational wage information. In 1993, Legislature directed EDD to provide state and county average hourly wage data using a prescribed formula. The formula does not account for variables such as overtime, stock options, bonuses, commissions, or less than full-time work. The Department of Labor has a national program on occupational employment statistics (OES) that annually surveys California non-farm industries. The survey gathers wage data by occupation on full and part-time employees in most occupations. Mr. Hessing stated the occupational wage data from the OES survey can be found on the website <http://www.lmi4ed.ca.gov/reports/oes.asp>.

Mr. McMahon spoke on behalf of the California Manufacturers Association (CMA) which represents many of the manufacturing users of ETP. He said CMA believes the existing statutory formula for determining minimum training wage levels is consistent with program priorities for establishing project eligibility. He stated that the emphasis on high-wage, high-skill jobs bars smaller manufacturing businesses from meeting the ETP standard wage levels. Smaller companies often do not have the necessary resources to design and implement effective employee training projects. The CMA encourages the Panel to consider some relaxation in considering existing wage levels for small companies and to recognize that these companies do not have the ability to meet the ETP standards.

Mr. McMahon stated career paths are not relevant in determining appropriate trainee wages. He stated the existing ETP statutory formula for determining wages has provided employers with a clear direction on what constitutes eligible wage levels and reduces uncertainty. He indicated the Panel's focus on funding high-wage, high-skill jobs excludes and adversely impacts the smaller companies and those in rural areas throughout the State. He believes the current criteria for determining if the public investment of funds are appropriate is adequate, and he feels no further criteria are necessary.

Ms. Bradshaw stated emphasis on a trainee's career path take into account those times when a small employer cannot meet the ETP minimum wage for a specific number of employees because of the nature of the business, but with training these employees would be eligible to move up a career ladder and earn more.

Mr. Rankin stated that small companies do not necessarily mean low paying jobs. He was concerned with the cost per trainee. He stated a recent proposal had a cost per

trainee of \$6,000 and asked if it makes sense to pay that high amount for a trainee that only makes an entry level wage. Mr. McMahon replied that \$6,000 was higher than the normal cost but there must have been some justification and exceptional circumstances for the high reimbursement cost. Mr. McMahon stated if the Panel tried to structure a complex web of tests that companies would have to meet to receive funding, it would slow the program down and reduce its success.

Ms. Wagner described the function of the community college in bringing training to groups of small companies. She said all training should be employer driven. She stated if higher wages are set for ETP training, employers will not raise wages and a segment of people that ETP funding could have helped will be excluded from training. ETP funds would eventually be for training “white collar” workers only. She said the lower wage employees are usually those with the least skills and those who desperately need training to be able to advance. Ms. Wagner stated that a study of wages has shown that trainees’ wages significantly increased following training.

Ms. Monti said ETP should consider the allocation of funding to make sure there is a return on the taxpayers dollars, that the monies invested in these companies are being fed back to the employee, and that the organizations are growing and becoming more profitable. Ms. Monti stated, as a representative of Manex, an organization that serves small manufacturing businesses, the wages of employees in a small business environment are typically lower than those employed in larger businesses. She said that should not govern whether or not employees get trained. The trainees should be employees the employer believes will have longevity with the company and the company will in return get the benefit of increased skills and employees who will continue up the career path.

V. PUBLIC COMMENT

Steve Duscha, Alliance for ETP, recommended ETP find a way to solve wage related issues without causing major changes in the process. He said there needs to be some certainty and ease of dealing with ETP. He said the issue impacted few contractors. Mr. Duscha stated ETP training does result in increased income for trainees.

Richard Cowan, President, Encore Language Training Services, Inc., spoke on the difficulty servicing the small manufacturing companies who employ minorities and do not meet the ETP wage requirements.

Elias Lopez, Ph.D., Senior Economist/Demographer, California Research Bureau, addressed the changing demographics in California. He presented a statistical abstract that included data on age, ethnicity, gender, family structure, employment characteristics, health, nativity, home ownership, and poverty on low-education workers, i.e., those who lacked a high school diploma, in California. The report also included data on workers with a high school diploma or higher level of education, and adults on public assistance. He said that in designing policies for low-education

workers, policymakers might want to consider the impact that these policies may have on the families of these workers.

Debra Esparza, Executive Program Advisor, Latin Business Association Institute, expressed concern that any increase in the ETP wage requirement will result in ETP not being able to reach those that have the greatest need. She said that in most small companies there is a lacking of an infrastructure so there is no career path.

Roger Vanderlaan, Vice President /Chief Operating Officer, Pacer Technology, spoke of the importance of developing employees' skill sets. As skill sets improve, the contribution to the company improves -- everything improves with improved skills. Distinguishing small and large employers by the number of employees is not always accurate. Many large companies are comprised of multiple locations or divisions that provide their own resources and are accountable to the parent company. He said if a single location does not perform, it will not continue.

Gordon Kirkpatrick, President, Kirkpatrick Enterprises, Inc., spoke on the low entry wage issue. He stated it is critical that those employees on the lower scale of the wage level be included in training programs. He said a very negative situation arises with the employee base when employees are excluded from programs. He believes that the wage criteria are too general. He stated the LMID computer based wage data is readily available on the Internet and he feels that data should be used for an individual judgement factor for each industry.

VI. POLICY ON NEW BUDGET ALLOCATION (HIGH UNEMPLOYMENT AREAS)

The discussion on New Budget Allocation (High Unemployment Areas) was postponed until the next day's session.

VII. PUBLIC COMMENT

There were no members of the public who wished to comment.

VIII. RECESS

Ms. Bradshaw declared the Panel meeting recessed at 5:10 p.m. to reconvene the following morning at 8:30 a.m.

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July 28, 2000

I. CALL TO ORDER

Acting Chairperson Pat Noyes called the public Panel meeting to order at 8:40 a.m.

II. ROLL CALL

Members Present

Pat Noyes, Acting Chairperson
Tom Rankin
Laurel Shockley
Dan Trammell
Pat Williams

Members Absent

John Duncan, Chairman
Aram Hodess, vice Chairman
Clifford Cummings

Executive Staff Present

Victoria Bradshaw, Executive Director
Peter DeMauro, General Counsel

III. APPROVAL OF AGENDA

Ms. Bradshaw announced the Agenda should be modified to add, immediately following the action on the California Workers Assistance Program Marketing Contract, the Agenda item on the Policy on New Budget Allocation (High Unemployment Areas) that was held over from the Panel meeting the day before.

ACTION: Mr. Rankin moved and Ms. Williams seconded the Panel approve the meeting agenda as modified.

Motion carried, 5 – 0.

IV. APPROVAL OF MINUTES

ACTION: Mr. Rankin moved and Ms. Williams seconded the Panel approve the minutes of the June 22, 2000, meeting as presented.

Motion carried, 5 – 0.

V. REPORTS OF THE PANEL MEMBERS

There were no reports from the Panel members.

VI. REPORT OF THE EXECUTIVE DIRECTOR

Ms. Bradshaw announced the information that has been compiled from the public testimonials on Multiple Employer Contracts will be presented to the Panel next month at the August 24 Panel Meeting.

VII. PUBLIC COMMENT

There were no members of the public who wished to comment.

VIII. REPORT OF THE GENERAL COUNSEL

Mr. DeMauro reported that at the March 2000 meeting, the Panel directed staff to promulgate proposed regulations regarding employer contributions, fixed-fee rates, and budgets as emergency regulations if possible. The Panel also directed staff to proceed with the normal regulatory process for any regulations that could not be approved as an emergency.

Staff determined that an emergency could only be justified for the proposed regulations on employer contributions and the revised fixed-fee rates. These regulations were approved by the Office of Administrative Law (OAL) as emergency regulations with an effective date of April 17, 2000.

Once emergency regulations are approved, the Panel has 120 days to begin and complete the normal rulemaking process and submit a Certificate of Compliance to OAL. For these regulations, the Panel must submit a Certificate of Compliance to OAL by August 15, 2000. If the Panel fails to meet this deadline, the emergency regulations will be automatically repealed.

To begin the normal rulemaking process, staff combined the notice for the emergency regulations with the notice for the remainder of the proposed regulations approved at the March Panel meeting, to be implemented through the normal rulemaking process.

This combined notice was sent out for a 45-day public comment period on May 19, 2000. Staff also held a public regulatory hearing to obtain further comments.

Mr. DeMauro summarized the public comments received and staff's response to the comments. Staff recommends that the Panel approve the staff's response and direct the staff to submit the Certificate of Compliance to OAL. Please note that any additional modifications to the text would require an additional 15-day comment period that would delay the submission of the Certificate of Compliance beyond the deadline of August 15, 2000.

22 CCR 4400(k) – Definition of "Indirect Cost." This regulation is being deleted as no longer necessary because all references to the term are being deleted.

The comment is that this section should be revised to allow overhead costs in ETP budgets. Staff's response is that Section 4412 already allows for overhead costs related to ETP training. Additionally, some of the amendments proposed in this rulemaking further expand ETP allowable overhead costs. Thus, no action is needed.

ACTION: Mr. Rankin moved and Ms. Williams seconded the Panel delete regulation 4400(k).

Motion carried, 5 – 0.

22 CCR 4400(l) – Definition of "In-kind Contributions." Definition has been expanded to include any costs that are directly related to ETP training but are not reimbursed through ETP funds, including employer contributions to cover training-related costs.

The only comment received supported this amendment. Thus, no action is needed.

ACTION: Mr. Rankin moved and Ms. Williams seconded the Panel approve this regulation.

Motion carried, 5 – 0.

22 CCR 4409.1 – Employer Contributions. The proposed regulation would allow multiple employer contractors, under certain specified conditions, to charge participating employers for training-related costs which are not reimbursed by ETP.

ETP received a number of comments on this proposed regulation, which will be addressed by the issues raised by the comments. The first issue raised by the comments is that ETP's source of historical data and the two-volume study prepared by academia does not address the issue in the small employer arena. The commenter recommended that ETP use studies which accurately identify this market.

Staff's response is that the Panel needed to rely on a study that specifically researched the effects of ETP training on all types of contractors, including small businesses. Furthermore, ETP believes that this study accurately identifies the

factors needed to increase the effectiveness of ETP training. Thus, no action is needed.

The next issue identified by the comments is that the term “multiple employer contractor” is not defined. Staff’s response is that ETP has not defined the term “multiple employer contractor” because a contractor is automatically deemed as either a single or multiple employer contractor depending the type of entity it is. Thus, no action is needed.

The final issue raised by the comments on this regulation is that the employer contribution rule is unfair and favors the large employers who contract directly with ETP and penalizes the small employers. The commenter feels that using a school’s catalog training rate is a fair and valid approach for funding multiple employer contracts.

Staff’s response is that prior to this regulation, only direct single-employer contractors had the ability to supplement the training and material with its own funds whereas multi-employer contractors, including small business consortiums, were prohibited from charging participating companies for any additional training costs which exceeded the fixed-fee rate. Now, with this regulation, ETP can allow employers in multi-employer contracts to have the same ability to supplement the cost of training as direct single-employer contractors.

Furthermore, ETP can no longer approve agreements based on catalog rates because some of these rates include costs which are not reimbursable under ETP regulations and the continued acceptance of the higher catalog rates decreases ETP’s ability to maximize its training funds. Thus, no action is needed.

ACTION: Mr. Rankin moved and Ms. Shockley seconded the Panel approve this regulation.

Motion carried, 5 – 0.

22 CCR 4411 – Fixed Fee Contracts. The proposed amendment would: (1) revise the determining factors used to vary the fixed-fee rates; (2) delete language stating that the fixed-fee covers all training and administrative costs under an ETP agreement; (3) clarify the method of calculating fixed-fee rates; (4) specify the situations in which the trainer to trainee ratio will be applied; and (5) expand the types of allowable support costs under certain fixed-fee agreements.

The public commenter feels a sliding scale based on the size of the business is more appropriate in determining the fixed-fees. Staff’s response is that the proposed amendment is already adding the size of the employer served as a factor in determining the fixed-fee rates. Thus, no action is needed.

ACTION: Ms. Williams moved and Ms Shockley seconded the Panel approve this regulation

Motion carried, 5 – 0.

22 CCR 4412 – Reasonable Training and Administrative Costs for Budgets. The proposed amendment would: (1) allow the use of employer contributions under budget based agreements; and (2) clarify and expand the types of costs that are allowable in budget based agreements.

The first issue raised by the comments is that although section 4412(a)(1) permits charges for curriculum modification and preparation of training materials, ETP's practice has been to restrict the number of hours that can be charged for this purpose to 20 percent of the actual training hours. The public commenter asks that ETP remove this limitation.

However, this comment is beyond the scope of this rulemaking because it addresses existing language that is not being amended in the regulation. Thus, no action is needed.

The next issue identified by the comments is that no provision is made for actual indirect rates and that the effect of the proposed change to section 4412(a)(4)(E) regarding miscellaneous costs is to allow less funding than previously allowed because personnel costs are generally a larger part of business budgets than equipment.

Staff's response is that indirect costs were meant to cover only payroll taxes; therefore, the original section 4412(a)(4)(E) regarding indirect costs was based on a percentage of personnel costs. Now, under this amendment, payroll taxes are specifically allowed as a separate item; thus, the need for a definition of indirect costs and the method of calculating indirect costs based on personnel costs was eliminated. However, ETP understood that a contractor might incur other ETP-related costs that do not currently fit into the existing budget categories. Thus, ETP proposed this amendment to allow a category for miscellaneous costs based on a percentage of all other operating equipment and expenses. Thus, no action is needed.

Another issue raised by the comments is that section 4412(a)(2) should include worker's compensation and liability insurance costs. Staff's response is that section 4412(a)(2) allows only payroll taxes in a budget. Worker's compensation and liability insurance costs are not payroll taxes. Additionally, liability insurance costs are already allowed for multiple employer contractors under the proposed amendment. Thus, no action is needed.

The next issue raised by the comments is that the costs allowed under section 4412(a)(4)(E) for miscellaneous costs should be a sliding scale with 15 percent allowed for the training of smaller employers. The public commenter also feels that the allowance of a 5 percent profit is not adequate for smaller training organizations, and recommends that the profit should be a minimum of 10 to 15 percent or based on a sliding scale.

However, this comment is beyond the scope of this rulemaking because it addresses existing language that is not being amended in the regulation. Thus, no action is needed.

Another comment stated that the proposed changes to the budget process do not correct any of the problems for BPPVE schools detailed in a previous letter to the Panel. The public commenter believes the proposed budget changes are ambiguous and open to wide interpretation.

However, ETP did not receive any other letter from this public commenter during the public comment period for these regulations. Furthermore, the proposed amendments further clarify the types of allowable costs in budget based agreements. Thus, no action is needed.

The final issue raised by the comments for this regulation is that the budget does not allow reimbursement for the full value of hardware or software used exclusively, but for only a fraction of the time, for a Panel project, which will discourage it from participating in any budget. However, this comment is beyond the scope of this rulemaking because it addresses existing language that is not being amended in the regulation. Thus, no action is needed.

ACTION: Mr. Trammell moved and Mr. Rankin seconded the Panel approve this regulation.

Motion carried, 5 – 0.

22 CCR 4412.1 – Training Costs Charged to Trainees. The proposed amendment would delete language stating that the fixed-fee includes all training costs under an ETP agreement.

The only comment received supported this amendment. Thus, no action is needed.

ACTION: Ms. Williams moved and Mr. Trammell seconded the Panel approve this regulation.

Motion carried, 5 – 0.

IX. OLD BUSINESS

There was no Old Business.

X. APPROVAL OF THE MARKETING CONTRACT WITH THE CALIFORNIA WORKERS ASSISTANCE PROGRAM

Ms. Bradshaw presented the seventh Interagency Agreement between ETP and the Workforce Investment Division (WID) of the Employment Development Department,

in the amount of \$350,000 for the purpose of co-funding the AFL-CIO California Workers Assistance Program. This program will assist ETP in expanding its outreach and marketing to targeted industries and labor union affiliated projects.

Ms. Bradshaw introduced Michael White, Deputy Director, California Workers Assistance Program, California Labor Federation, AFL-CIO.

ACTION: Ms. Williams moved and Ms. Shockley seconded the Committee of the Whole recommend approval of the Interagency Agreement to the full Panel.

Motion carried as a Committee of the Whole, 4 – 0 – 1 (Mr. Rankin abstained from the vote).

XI. POLICY ON NEW BUDGET ALLOCATION (HIGH UNEMPLOYMENT AREAS)

Ms. Bradshaw presented a policy proposal relating to the use of the special budget allocation of \$15 million for “Training in High Unemployment Areas of California.” The Policy proposes a methodology for defining high unemployment areas in California and identifying specific areas that meet this definition. It also defines the “working poor” and proposes waivers from some current ETP requirements specifically for “working poor” trainees.

Mr. Rankin stated he felt the guidelines for waiving minimum wage requirements are vague. He suggested that the Panel review the cost of the training per employee in relation to any increased productivity and increased wages. He stated the Panel needs to see some kind of return on the cost of training. There should to be some standards developed. Ms. Bradshaw said that the Panel needed some experience with this population before it would be ready to set hard and fast standards. Otherwise, the Panel runs the risk of setting standards that are irrelevant to this population or makes the training difficult to obtain. Ms. Bradshaw indicated staff will be coming back to the Panel at a future date with wage issue modifications. Mr. Rankin stated the Panel should target this group and focus on increasing outreach to the rural and high unemployment areas.

ACTION: Mr. Rankin moved and Ms. Williams seconded the Panel approve the Policy Directive.

Motion carried, 5 – 0.

XII. PUBLIC COMMENT

There were no members of the public who wished to comment.

XIII. CONSENT CALENDAR, FINAL AGREEMENTS, AND AMENDMENTS

Mr. DeMauro explained to the Panel the addition of a prevalent wage statement to the ETP 130.

Amendments

National Alliance of Business, Incorporated

Ron Tagami, manager of ETP's North Hollywood field office, presented an Amendment to the National Alliance of Business, Incorporated, Agreement requesting additional training for six trainees who have completed 48 hours of training in Job 1 who have been enrolled, and have completed their retention period. The Contractor requests to move six slots from Job 1 and create Job 6 for those six trainees for an additional 48 hours of training different from what they received in Job 1.

ACTION: Ms. Williams moved and Ms. Shockley seconded the Panel approve the Amendment as presented.

Motion carried, 5 – 0.

Quality Plus Enterprises Technical Institute

Mr. Tagami presented an Amendment to Quality Plus Enterprises Technical Institute Agreement in the amount of \$160,120. At the Contractor's request, this Amendment was withdrawn from the June Panel for additional time to research the wage trainees would earn after the retention period. The Contractor has agreed that approximately 25 percent of the trainees in each group will earn the minimum of \$9.57 per hour for Riverside County or \$10.44 per hour for Los Angeles and Orange Counties and approximately 75 percent of the trainees in each group will earn at least \$12.00 per hour. This Amendment is to create four new job numbers and add 110 retrainees to the original Agreement. The representative states the school has received numerous requests for training from interested employers. The Amendment will also add one year to the term of the Agreement to allow time to complete the proposed training.

Mr. Rankin requested a recap of health benefits be included on future projects.

ACTION: Ms. Shockley moved and Ms. Williams seconded the Panel approve the Amendment as presented.

Motion carried, 5 – 0.

UAW-Labor Employment & Training Corporation (SET)

Ms. Williams, co-founder of UAW-Labor Employment & Training Corporation, recused herself from this project.

Mr. Tagami presented an Amendment to the UAW-Labor Employment & Training Corporation Agreement requesting to move 30 training positions from Job 1 to Job 2. This will allow trainees who have completed 40 hours of Graphic Artist Computer Skills training in Job 1 to re-enroll in Job 2 for an additional 40 hours training in different modules. The Amendment does not increase the amount of the Agreement. The Scenic, Title, and Graphic Artists, I.A.T.S.E. Local 816 Union supports this project.

ACTION: Mr. Rankin moved and Ms. Shockley seconded the Committee of the Whole recommend approval to the full Panel.

Motion carried as a Committee of the Whole, 4 – 0 – 1 (Ms. Williams abstained from the vote).

XI. REVIEW AND ACTION ON AGREEMENTS AND PROPOSED AGREEMENTS

One-Step Agreements

Sacramento Hispanic Chamber of Commerce (SET)

Charles Lundberg, acting manager of ETP's Sacramento field office, presented a One-Step Agreement for Sacramento Hispanic Chamber of Commerce (SET) in the amount of \$84,512 for the training of 76 owners of very small businesses in the Sacramento area. The Sacramento Hispanic Chamber of Commerce was established in 1972 to promote the competitive enterprise system for Hispanic businesses and promote Hispanic community growth and development. Under this program trainees will receive 80 hours of business skills training.

Mr. Lundberg introduced Dennis Trinidad, Executive Director. Mr. Rankin asked if the training for State Farm employees is training that this large insurance company should be providing itself. Mr. Trinidad explained that though State Farm does train their agents, these particular franchisees needed specific training on marketing to the Hispanic community.

ACTION: Mr. Trammell moved and Mr. Rankin seconded the Panel approve the One-Step Agreement as presented.

Motion carried, 5 – 0.

Ms. Noyes requested staff to prepare another comprehensive report in the near future on the effectiveness of entrepreneurial training.

UpRight, Incorporated

Mr. Lundberg presented a One-Step Agreement for UpRight, Incorporated, in the amount of \$395,720 for the retraining of 500 employees. This proposal was brought to ETP through the marketing efforts of The California Manufacturers & Technology

Association. Mr. Lundberg announced the prevalent hourly wage has been corrected from \$9.24 per hour to \$10.28 per hour. UpRight manufactures a diversified line of self-propelled and boom-supported aerial lifts. To remain competitive with our-of-state and foreign manufacturers, UpRight, Inc. must change the way it conducts business both internally and externally. The employees will learn structured methods of problem solving and problem-prevention techniques. The Contractor certifies that this training supplements rather than displaces current training done by the company and it would not occur in the form or manner described in this application without funds from the Employment Training Panel. UpRight Inc. has invested approximately \$500,000 in design, development, and process to implement various training courses. Of this amount, approximately \$390,000 was in capital expenditures for classrooms, training equipment and supplies. UpRight will commit a total of \$332,680 is wages paid to the 500 employees during their training.

Mr. Lundberg introduced Regina Davis, Training Manager, and Cathy Peppers, Human Resources Manager.

ACTION: Mr. Rankin moved and Ms. Williams seconded the Panel approve the One-Step Agreement as recommended.

Motion carried, 5 – 0.

The Alameda County Electrical Industry Apprenticeship and Training Trust (SET)

Creighton Chan, manager of ETP's San Mateo field office, presented a One-Step Agreement for The Alameda County Electrical Industry Apprenticeship and Training Trust in the amount of \$88,960. This project will retrain 130 journey-level electricians, working primarily in Alameda and San Joaquin counties. Training will incorporate the most recent and impending code and technological changes customized to the needs of local area employers. This customization is ensured by the participation of three employer members who sit on the committee that meets monthly. The Alameda County Joint Apprenticeship and Training Committee has developed a menu curriculum, and training will be tailored to two groups of employees. Curriculum and courses are reviewed on an on-going basis to ensure that they meet local employer needs and current national and state industry standards. The narrow industry-specific focus of the training further ensures customization to present electrical industry needs, particularly pertaining to recently developed technology and specifications.

Mr. Chan introduced Victor Uno, Coordinator, Alameda County Joint Apprenticeship and Training Committee for the Electrical (Inside Wireman) Trade; Rich Corvello, Business Representative, Electrical Workers Local No. 595; Peter Marana, Executive Director, National Electrical Contractors Association.

ACTION: Ms. Williams moved and Mr. Rankin seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 5 – 0.

Worldwide Educational Services, Incorporated

Mr. Chan presented a One-Step Agreement for Worldwide Educational Services, Incorporated in the amount of \$971,880. Worldwide Educational Services, Inc. (WES) is a private proprietary corporation providing training in high demand occupations. Since 1990, WES has been an ETP Contractor providing training and placement to ETP-eligible new-hire trainees who are unemployment insurance recipients or recent exhaustees. Training is provided in the areas of communications electronics, electronic service technical, consumer/mobile electronics, cable applications, networking theory, and office automation/computer applications including various software applications, networking theory, and upgraded business skills training. The proposed occupations have been identified by local and EDD labor market surveys, as well as local employers, as demand occupational areas in today's economy. This center-based training project involves some of the same issues that led the Panel to reject two projects last month (i.e., lack of customization for example). Since the Panel will be reviewing policy recommendations on multiple employer contracts next month, staff recommended holding this project over until those policy issues have been clarified.

Mr. Chan introduced Neil Barth, President. Ms. Williams expressed concern about how, when training a class mix of both ETP and non-ETP trainees, WES handles the class both fiscally and operationally. Mr. Rankin asked about the apparent decline in performance on the previous contracts. Ms. Barth stated the economy had significantly changed in those years showing the decline in performance. The normal flow of unemployment insurance participants no longer came from EDD. EDD had significantly changed its approach to unemployment insurance. She stated the current contract is very close to being on target in terms of expenditures.

ACTION: Ms. Williams moved and Mr. Trammell seconded this project be held over until next month's Panel meeting.

Motion carried, 5 – 0.

Flextronics International, USA, Incorporated

Mr. Chan presented a One-Step Agreement for Flextronics International, USA, Incorporated, in the amount of \$1,697,000 to retrain 1,530 employees. This is Flextronics second Agreement. The prior Agreement consisted of 306 retrainees who received training in Business, Computer, Continuous Improvement, and Manufacturing Skills. Since then, Flextronics has acquired other California companies increasing its workforce to 4,426 employees. Due to this rapid growth, Flextronics needs to maintain a well-trained labor force. Training under this proposal will be delivered to individuals who were hired since the start of the previous contract. The Company is committed to providing continued training to the first group of retrainees as well as company-wide basic training. Employees will be cross-trained in skills that will increase their production performance. Flextronics states that it will

spend approximately \$150,000 in training and training related costs not covered by ETP and over \$1,000,000 in wages to the employees during training.

Mr. Chan introduced Terri Kelly, Chief Learning Officer, Sonia Savage, Strategic Planning Manager, Erin Roll, Funding Program Administrator, Ernest Guzman, Training Administrator, all of Flextronics, and Denise Finch, President, Cre8tive Training Solutions.

ACTION: Ms. Shockley moved and Mr. Rankin seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0.

Marriott Hotel Services, d.b.a. San Francisco Marriott

Mr. Chan announced the One-Step Agreement for Marriott Hotel Services has been withdrawn from consideration at this month's Panel meeting.

Fluor Corporation

Ms. Torres, manager of ETP's San Diego field office, presented a One-Step Agreement for Fluor Corporation in the amount of \$456,696 to retrain 545 of its corporate-headquarter employees. Fluor Corporation is one of the world's largest international engineering, procurement, construction and global services companies, and is a major producer of low-sulfur coal. In order to move to a high performance workplace, the company needs to implement an enterprise resource management software system. This new system will integrate all the information on Fluor's customers, project costs, staffing and bring all departments to work as one cohesive unit. The Contractor has certified that this proposed training in Computer Skills is new training and supplements the training normally provided. The Contractor has also certified that in addition to funds from ETP, they project to have over \$10 million training costs and other training related expenses. Wages to be paid to employees during the training amount to approximately \$500,000. Additionally, the Contractor anticipates that total training expenditures for two years following ETP training are projected to be in excess of \$1 million.

Ms. Torres introduced David Bordages, Vice President Human Resources, and Michele Walters, Organization Change Specialist.

ACTION: Mr. Trammell moved and Ms. Williams seconded the Panel approve the One-Step Agreement as presented.

Motion carried, 5 – 0.

Sears, Roebuck & Company

Ms. Torres, manager of ETP's San Diego field office, presented a One-Step Agreement for Sears, Roebuck & Company in the amount of \$641,250 to retrain 675 employees.

The Sears Los Angeles Regional Credit Card Center, located in Rancho Cucamonga, is that city's largest employer. The center supports Sears credit activity nationwide. In 1998, the Center faced increased competition and recognized the need for achieving consistent productivity improvements. To meet its business objectives, Sears made a dramatic shift both in terms of the computer technology the employees used and the culture of the work environment. With the help of their first ETP contract, Sears undertook an extensive retraining program for 745 frontline workers in the first step towards transition to a high performance workplace. The company must now continue with the second phase of training for an additional 250 entry-level employees in Business Skills and 425 employees in Advanced Business Skills never before offered at the Company. The Contractor has certified that they project to have additional training and training related expenses in the amount of \$1,366,000 and wages to be paid to employees during the training in the amount of \$926,000.

Ms. Torres introduced Robert O'Neal, Director, Human Resource Planning & Development, and Chrystal Whitmore, Training Manager; and Steve Duscha, EPS Solutions.

ACTION: Ms. Williams moved and Ms. Shockley seconded the Panel approve this One-Step Agreement.

Motion carried, 5 – 0.

Ms. Bradshaw stated for the record that she had recused herself from this project.

Kirkhill Rubber Company (SET)

Mr. Tagami presented a One-Step Agreement for Kirkhill Rubber Company (SET) in the amount of \$409,940 to retrain 506 employees in Continuous Improvement, Manufacturing, Business, Computer, and Literacy Skills. In order to realize a fast, high quality, cost effective manufacturing solution for both small and large runs, the Company plans to start moving into a system that offers flexible, modular, lean elastomer manufacturing. To accomplish this, Kirkhill has an employee training team, which is made up of representatives from each segment of the Company to analyze training needs and develop a training plan.

Mr. Tagami introduced Gustavo "Gus" Angelo, Director of Human Resources, Rick Greene, Assistant Plant Manager; and Paul Johnson, President, California Training Coalition. Ms. Noyes expressed concern regarding the impact on production when 506 of the 596 employees are in training. Mr. Angelo explained the Company has planned a "staggered" training program. The goal is not to have any one employee in training during the 40-hour production week any more than 3 – 4 hours per week.

ACTION: Ms. Shockley moved and Mr. Trammell seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0.

Specialty Laboratories, Incorporated

Mr. Tagami presented a One-Step Agreement for Specialty Laboratories, Incorporated in the amount of \$363,445 to retrain 400 employees. Specialty Laboratories is a privately held, research-based, clinical reference laboratory which develops and provides incisive diagnostic, prognostic, and monitoring services to thousands of clients nationwide and in ten foreign countries on five continents. The Company's goal is to customize service to achieve the goals of a clinical study and to simplify the tasks at the study sites. The logistics and the testing performed by their central lab have become more complex. With challenging studies in chronically ill patient populations, it is even more important for the customer to partner with project managers who can offer innovative solutions. Specialty Laboratories recognizes the need for change in its process to remain competitive worldwide and have begun implementing new processes utilizing the ISO 9000 quality framework. Specialty Laboratories requests the Panel to approve a waiver to the high turnover rate because a large percentage of the turnover is due to voluntary quits. A low unemployment rate in Los Angeles County also contributed to the high turnover rate because of an increased demand for highly skilled employees. Staff surveys have indicated that training and quality systems are very attractive to employees and contribute heavily to overall loyalty and staff retention. This Agreement includes turnover language to reflect that the final 25 percent progress payment for each trainee is only earned if Contractor achieves an average turnover rate of 20 percent or less for the last 12 months of the Agreement.

Mr. Tagami introduced Dr. Guy Grimsley, Director Quality Assurance, and Nick Shauer, Director, Human Resources; and Paul Johnson, Consultant, California Training Coalition.

ACTION: Mr. Rankin moved and Ms. Williams seconded the Panel approve the One-Step Agreement as recommended.

Motion carried, 5 – 0.

Thrifty-Payless, Incorporated

Mr. Tagami reported the One-Step Agreement for Thrifty Payless, Incorporated has been withdrawn from consideration at this month's Panel meeting.

XII. PUBLIC COMMENT

There were no members of the public who wished to comment.

XIII. ADJOURN

There being no further business and no objection, the Panel meeting was adjourned.